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Section 86-1.64 Volume adjustment and case mix adjustment

(a) Volume adjustment. A volume adjustment shall be made to rates of payment for exempt hospitals and units (other than designated AIDS centers ~~[and exempt inpatient psychiatric units receiving rates determined pursuant to section 86-1.57(e)(1))]~~ based on a change in non-Medicare volume between 1987 as the base year and the rate year. ~~[In the case of exempt inpatient psychiatric unit rates of payment described in section 86-1.57(e)(1) of this Subpart, a volume adjustment shall be applied to the 1989 rates to reflect changes in volume between the 1987 base year and 1988 rate year. Subsequent volume adjustments shall not be made for rates of payment for facilities or units receiving rates determined pursuant to section 86-1.57(e)(1).]~~ Within six months following the rate period, a volume adjustment to the rate will be made for those exempt hospitals and units other than designated AIDS centers ~~[and exempt inpatient psychiatric units]~~ which meet the following criteria and which are entitled pursuant to the following calculations.

(1) The adjustment shall be available for all such hospitals and units except those:

(i) which closed during the rate year of the volume adjustment;

(ii) with rates calculated based on budget; and

(iii) with volume increases resulting from comprehensive affiliation agreements entered into on or after January 1, 1992.

(2) The rate shall be adjusted according to the following rules:

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Decrease in Patient Days		Increase in Patient Days	
(% Change)	Fixed/Variable Percent	(% Change)	Fixed/Variable Percent
0 to 5	80/20	0 to 5	80/20
5+ to 7	75/25	5+ to 7	75/25
7+ to 10	70/30	7+ to 10	70/30
10+	65/35	10+	65/35

(c) That portion of the automatic rate adjustment for operating costs attributable to the facility's change in discharges from the base year to the rate year shall be made incrementally according to the steps in the following table:

Decrease in Patient Discharges		Increase in Patient Discharges	
(% Change)	Fixed/Variable Percent	(% Change)	Fixed/Variable Percent
0 to 6	60/40	0 to 6	60/40
6+	50/50	6+	50/50

(iv) A change greater than or equal to five percent in total certified days between the base year and the rate year, adjusted for leap years, will result in a further rate adjustment which will be in accordance with clauses (a) - (c) of subparagraph (iii) of this paragraph.

(3) A facility having a change in total certified days of greater than or equal to five percent may ask the commissioner to review the reasons for the change in volume and to revise the target volume and/or fixed and variable percentage(s). The commissioner shall determine the cause for the change and its relation to the efficient costs of providing patient care services. Based upon this review, the commissioner may adjust the target volume and/or the fixed and variable percentage(s) cited in paragraph (1) of this subdivision upward and/or downward, independent of the facility's

request to allow the hospital to be reimbursed for the costs of efficient production of services for the change in volume.

(4) Facilities having a change in total certified days of greater than or equal to five percent shall have the right to administratively appeal their rate adjustment pursuant to section 86-1.61 of this Subpart within 120 days of receipt of the initial notice of said adjustment.

(5) Similarly, when utilization in the base year or rate year is affected by labor strikes, lockouts, or by the establishment of a certified hospital-based ambulatory surgery service, a proportionate revision to the target volume will be determined. A hospital-based ambulatory surgery service shall be defined as a service organized to provide surgical procedures which shall be performed for safety reasons in an operating room on anesthetized patients requiring a stay of less than 24 hours duration. These procedures do not include outpatient surgical procedures which can be performed safely in a private, physicians office or an outpatient treatment room.

(6) All payment adjustments resulting from the application of this provision shall be made within six months following the republication of rate referred to above.

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(b) Case mix adjustment for exempt units other than designated AIDS centers ~~[and inpatient psychiatric units receiving rates of payment pursuant to section 86-1.57(e)(1)]~~. The operating cost component of per diems paid to exempt hospitals and units (other than designated AIDS centers ~~[and inpatient exempt psychiatric units receiving rates of payment pursuant to section 86-1.57(e)(1)]~~ shall be adjusted to reflect case mix changes in admissions to the hospital between 1987 and the rate year.

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(1) The cost weights used to measure case mix shall be based on 1985 data from a sample of New York State hospitals and shall be calculated on the basis of non-Medicare costs per day for each DRG.

(2) A case mix index shall be calculated for each hospital or unit in 1987 and in the rate year using these cost per day cost weights and the number of non-Medicare exempt unit days assigned to each DRG in each year.

(3) The DRG grouper used to assign patients to DRGs shall be the grouper used to calculate Medicare rates of payment as of October 1, 1988.

(4) For each rate year, the hospital's or unit's rate year case mix index shall be divided by its case mix index for the prior rate year. Per diem rates shall be adjusted upward or downward in proportion to the change in the facility's case mix index with the exception that rate adjustments shall not reflect the first one percent of increase in case mix nor the first two percent of decrease in case mix.

(5) The commissioner shall not recognize the total upward case mix adjustment provided for in this subdivision if he finds that prior rate year adjustments have already reimbursed a portion or all of such case mix associated cost increases.

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~~[(c) Case mix adjustment for exempt inpatient psychiatric units receiving rates of payment determined pursuant to section 86-1.57(e)(1). The operating cost component of per diem rates paid for exempt inpatient psychiatric unit services pursuant to section 86-1.57(e)(1) of this Subpart shall be weighted for patient category and level of care pursuant to this subdivision and shall be adjusted on a semi-annual basis commencing July 1, 1990 to reflect case mix changes in discharges between 1988 and the rate year, which are measured by changes in patient categories and levels of care. The first adjustment shall be made based on case mix changes occurring during the period October 1, 1989 through March 31, 1990 compared to 1988 indices. Subsequent semi-annual adjustments shall be based in the next six month period for patient mix data submitted. The timeframe for implementation of these rate adjustments are specified in section 86-1.57(e)(2) of this Subpart. The case mix adjustment of the exempt inpatient psychiatric unit rate shall be determined as follows:~~

~~(1) The patient categories shall be:~~

~~(i) a Child category, which shall mean patients under 18 years of age with a principal diagnosis of mental illness as indicated in section 86-1.57(e)(3) of this Subpart;~~

~~(ii) a Non-psychotic category, which shall mean adult patients with a principal diagnosis of a non-psychotic mental illness as indicated in section 86-1.57(e)(3) of this Subpart;~~

~~(iii) a Persistent category, which shall mean adult patients with a principal or secondary diagnosis of an organic mental illness as indicated in section 86-1.57(e)(3) of this Subpart or an adult patient with~~

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~~a principal diagnosis of major mental illness as indicated in section 86-1.57(e)(3) of this Subpart who either:~~

~~(a) was discharged from an Article 28 general hospital within the last 12 months with a principal discharge diagnosis of a mental illness; or~~

~~(b) was transferred from an acute medical/surgical inpatient unit, was subject to an operating room procedure during the current psychiatric admission, or died; or~~

~~(c) was transferred from an acute psychiatric inpatient unit of another hospital; or~~

~~(d) required long term care placement upon discharge to a skilled nursing facility or health related facility, or a psychiatric hospital or other institution licensed pursuant to article 31 of the Mental Hygiene Law;~~

~~(iv) an Acute category, which shall mean adult patients with a principal diagnosis of major mental illness as indicated in section 86-1.57(e)(3) of this Subpart who do not meet any of the conditions of subparagraph (iii) of this paragraph.~~

~~(2) The levels of inpatient psychiatric care which reflect differences in treatment needs and resource consumption over the course of a psychiatric inpatient stay shall be:~~

~~(i) Intensive care services (ICS), which represent higher costs associated with the initial days of an inpatient stay due to the need for intensive observation, evaluation for a differential diagnosis and development of a comprehensive treatment plan;~~

~~(ii) Stabilization services (STAB), which represent the intermediate phase of a hospital stay during which time the patient consumes fewer resources as the patient's condition stabilizes, the treatment plan is~~

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~~implemented and the patient is prepared for a return to the community.~~

~~(iii) Extended care services (EXT), which represent lower than average costs associated with the final phase of a hospital stay during which time a patient's treatment program has been extended while discharge planning continues.~~

~~(3) Each patient category identified in paragraph (2) of this subdivision is assigned a patient category weight which represents the difference in resource consumption by patient category. These weights shall be used to adjust the unadjusted inpatient psychiatric exempt unit per diem. The weights by patient category are as follows:~~

~~(i) Child 1.04~~
~~(ii) Non Psychotic .96~~
~~(iii) Persistent 1.04~~
~~(iv) Acute .99~~

~~(4) The days of a patient's stay shall be apportioned by patient category to the following level of care categories.~~

~~Patient Category ICS STAB EXT Return to Stabilization~~
~~Child 1 14 15 31 32 60 61 and over~~
~~Non Psychotic 1 10 11 13 14 60 61 and over~~
~~Persistent 1 10 11 29 30 60 61 and over~~
~~Acute Psychotic 1 14 15 23 24 60 61 and over~~

~~(5) If a patient remains in the hospital for more than 60 days and continues to require inpatient psychiatric services, the hospital shall receive the STAB rate from the 61st day until the patient is determined to no longer require inpatient psychiatric services.~~

~~(6) Each level of care is assigned a weight such that hospital revenue neutrality is achieved except when the ICS floor is applied as specified in~~

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~~subparagraph (ii) of this paragraph. Hospital revenue neutrality shall be achieved by holding the STAB and EXT weights constant and calculating an ICS weight so that the net effect of all weights applied to the hospital's 1988 patient days per psychiatric patient category is neutral. The level of care weights shall vary as follows:~~
~~Intensive Care Services 1.07 1.25~~
~~Stabilization 1.00 1.05~~
~~Extended .85 .95~~

~~(i) The ICS weight shall be calculated so that the EXT weight shall be fixed at 85 percent of the base rate and the STAB rate shall be fixed at 100 percent and the resulting calculated ICS weight shall float in order to generate revenue neutrality but in no case shall the ICS weight be less than 107 percent or more than 125 percent of the base weight.~~

~~(ii) If the calculated ICS weight is less than 107 percent of the base rate, the ICS weight shall be set at a floor of 107 percent of the base rate.~~

~~(iii) If the calculated ICS weight is greater than 125 percent, the EXT weight shall be increased to no more than 95 percent and the STAB weight shall be increased to no more than 105 percent in order to reduce the ICS rate to 125 percent and maintain revenue neutrality.~~

~~(7)(i) The level of care weights and patient category weights which are calculated on the base year data are then applied to the rate year hospital specific patient day data to produce total weighted patient days data. Total weighted patient days are divided by total unweighted patient days to form the basis of the semi annual case mix adjustment.~~

~~(ii) The case mix adjustment shall also include an incentive for improvements in hospital performance in the rate year, for such factors as increases in patient case mix severity, reductions in recidivism, and more appropriate levels of care. The incentive shall be calculated by multiplying~~

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~~any increase in weighted patient days over unweighted patient days by 25%. The resulting number of patient days shall be divided by total unweighted patient days to form the incentive adjustment.~~

~~(iii) The sum of the case mix adjustment determined in subparagraph (i) of this paragraph and the incentive adjustment determined in subparagraph (ii) of this paragraph shall be multiplied by the unadjusted hospital specific inpatient psychiatric unit operating per diem to produce the hospital specific case mix adjusted operating per diem.~~

~~(8) Readmission to an exempt inpatient psychiatric unit within 30 days after the patient's discharge from an exempt psychiatric unit for treatment of a psychiatric disorder or admission by transfer to an exempt inpatient psychiatric unit after conclusion of the ICS period in the transferring exempt psychiatric unit shall constitute, with the first admission, a single episode of illness with days apportioned among level of care periods according to the patient category to which the patient was assigned during the last patient stay in the episode. For payment purposes, the level of care periods shall be reversed as follows:~~

~~(i) ICS days shall be distributed first to the last hospital stay within the episode of illness. When there are fewer patient days in the last stay than there are ICS days to be distributed, the ICS days shall be distributed to the next to the last stay.~~

~~(ii) CTAB and then EXT days shall be allocated in the same manner.~~

~~(9) Hospitals that receive adjusted exempt unit per diem payments pursuant to section 86-1.57(e)(1) of this Subpart shall be eligible for an additional component to be added to such rates of payment for providing enhanced discharge~~